GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:820
ANSWERED ON:17.08.2007
LOAN THROUGH UNORGANISED SECTOR
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Will the Minister of FINANCE be pleased to state:

(a) whether a committee was constituted by Reserve Bank of India to check the business of lending loan through unorganized/non-formal sector;

(b) if so, whether the committee has submitted its report;

(c) if so, the details thereof; and

(d) the steps taken/being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): Pursuant to the announcement made by the Governor, Reserve Bank of India (RBI) in the Annual Policy Statement for the year 2006-07, a Technical Group was set up under the chairmanship of Shri S.C. Gupta, the then Legal Adviser, RBI to review the efficacy of the existing legislative framework that governs money lending as also the enforcement machinery in different States and make recommendations for its improvement. The model legislation proposed by the Technical Group provides for the following:

a simple and hassle free procedure for compulsory registration and periodical renewal of their registration by money lenders;

a simplified dispute resolution mechanism to ensure better enforcement;

adopticn of the rule of Damdupat restricting the maximum amount of interest chargeable by trie money lender; and

The report of the Group has been submitted and is placed on the website of RBI for comments of the stakeholders. The report has been sent to all the State Governments as part of the process of consultation. In the circumstances, no time frame for its implementation can be specified.